



City of Sand Point, Alaska

Basic Financial Statements, Required
Supplementary Information, Supplementary
Information, and Government Auditing
Standards Reports
Year Ended June 30, 2017

City of Sand Point, Alaska

Basic Financial Statements, Required Supplementary Information,
Supplementary Information, and
Government Auditing Standards Reports

Year Ended June 30, 2017

City of Sand Point, Alaska

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City of Sand Point, Alaska

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Independent Auditor's Report

Honorable Mayor and City Council
City of Sand Point, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Sand Point's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 36 and the Schedules of Net Pension Liability and Pension Contributions on pages 37 through 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit for the year ended June 30, 2017 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules for the year ended June 30, 2017 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Sand Point as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated February 25, 2017 which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The individual fund financial statements and schedules for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2018 on our consideration of City of Sand Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sand Point's internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
January 9, 2018

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Basic Financial Statements

City of Sand Point, Alaska
Statement of Net Position

<i>June 30, 2017</i>	Govern- mental Activities	Business- type Activities	Total
Assets and Deferred Outflows of Resources			
Assets			
Cash and investments	\$ 2,413,160	\$ 853,947	\$ 3,267,107
Accounts receivable, net	202,992	128,644	331,636
Internal balances	1,195,540	(1,195,540)	-
Investment in Southwest Governments, LLC	271,885	-	271,885
Capital assets not being depreciated	-	51,226	51,226
Other capital assets, net of accumulated depreciation	7,967,041	12,383,334	20,350,375
Total Assets	12,050,618	12,221,611	24,272,229
Deferred Outflows of Resources - related to pensions	298,252	150,642	448,894
Total Assets and Deferred Outflows of Resources	\$ 12,348,870	\$ 12,372,253	\$ 24,721,123
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 31,018	\$ 25,733	\$ 56,751
Accrued liabilities	110,490	1,531	112,021
Unearned revenue	4,538	-	4,538
Accrued interest payable	-	37,660	37,660
Noncurrent liabilities:			
Due within one year :			
Accrued leave	58,018	32,007	90,025
Bonds payable	-	70,000	70,000
Due in more than one year :			
Landfill closure costs payable	-	136,251	136,251
Bonds payable, net of current portion	-	2,300,000	2,300,000
Bond premium, net of accumulated amortization	-	348,030	348,030
Net pension liability	1,667,553	842,241	2,509,794
Total Liabilities	1,871,617	3,793,453	5,665,070
Deferred Inflows of Resources - related to pensions	18,588	9,388	27,976
Net Position			
Net investment in capital assets	7,967,041	9,716,530	17,683,571
Unrestricted (deficit)	2,491,624	(1,147,118)	1,344,506
Total Net Position	10,458,665	8,569,412	19,028,077
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 12,348,870	\$ 12,372,253	\$ 24,721,123

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Statement of Activities

Year Ended June 30, 2017	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Charges for Services	Operating Grants & Contri- butions	Govern- mental Activities	Business- type Activities	
Governmental Activities						
General government	\$ 1,436,956	\$ 68,613	\$ 10,341	\$ (1,358,002)	\$ -	\$ (1,358,002)
Parks and recreation	27,492	-	-	(27,492)	-	(27,492)
Public safety	641,254	-	6,959	(634,295)	-	(634,295)
Public works	1,092,037	194,791	11,151	(886,095)	-	(886,095)
Health clinic	-	40,932	-	40,932	-	40,932
Community development	50,562	32,920	-	(17,642)	-	(17,642)
Total Governmental Activities	3,248,301	337,256	28,451	(2,882,594)	-	(2,882,594)
Business-type Activities						
Bingo	562,410	632,681	-	-	70,271	70,271
Boat harbor	1,213,612	741,959	9,176	-	(462,477)	(462,477)
Water and sewer	431,677	222,538	25,109	-	(184,030)	(184,030)
Refuse	278,560	125,697	3,609	-	(149,254)	(149,254)
Rock crusher	7,785	32,948	-	-	25,163	25,163
Total Business-type Activities	2,494,044	1,755,823	37,894	-	(700,327)	(700,327)
Total	\$ 5,742,345	\$ 2,093,079	\$ 66,345	(2,882,594)	(700,327)	(3,582,921)

General Revenues

Taxes:			
Sales taxes	725,362	-	725,362
Local raw fish taxes	590,065	-	590,065
Accommodation taxes	8,843	-	8,843
Payment in lieu of taxes	150,000	-	150,000
Grants and entitlements not restricted to a specific purpose	397,039	-	397,039
Transfers	(52,500)	52,500	-
Total General Revenues and Transfers	1,818,809	52,500	1,871,309
Change in net position	(1,063,785)	(647,827)	(1,711,612)
Net Position, beginning	11,522,450	9,217,239	20,739,689
Net Position, ending	\$ 10,458,665	\$ 8,569,412	\$ 19,028,077

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Governmental Funds

Balance Sheet

	Major Fund	Nonmajor	Total
<i>June 30, 2017</i>	General	Funds	Governmental Funds
Assets			
Cash and investments	\$ 2,197,871	\$ 215,289	\$ 2,413,160
Receivables:			
Sales tax	79,274	-	79,274
Fish tax	109,955	-	109,955
Other	13,763	-	13,763
Investment in Southwest Governments, LLC	271,885	-	271,885
Advance to other funds	939,827	-	939,827
Due from other funds	255,713	-	255,713
Total Assets	\$ 3,868,288	\$ 215,289	\$ 4,083,577
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 31,018	\$ -	\$ 31,018
Accrued liabilities	110,490	-	110,490
Unearned revenue	4,538	-	4,538
Total Liabilities	146,046	-	146,046
Fund Balances			
Nonspendable:			
Investment in Southwest Governments, LLC	271,885	-	271,885
Advance to other funds	939,827	-	939,827
Assigned:			
Silver Salmon Derby	-	16,212	16,212
Clinic	-	199,077	199,077
Next year's budget	71,400	-	71,400
Unassigned	2,439,130	-	2,439,130
Total Fund Balances	3,722,242	215,289	3,937,531
Total Liabilities and Fund Balances	\$ 3,868,288	\$ 215,289	\$ 4,083,577

See accompanying notes to basic financial statements.

City of Sand Point, Alaska
Reconciliation of Governmental Funds Balance Sheet
to Statement of Net Position
June 30, 2017

Total fund balances for governmental funds	\$ 3,937,531
Total net position reported for governmental activities in the Statement of Net Position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:	
Buildings	\$ 8,590,637
Improvements other than buildings	4,531,870
Equipment and vehicles	<u>1,897,965</u>
Total capital assets	15,020,472
Accumulated depreciation	<u>(7,053,431)</u>
Total capital assets, net	<u>7,967,041</u>
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:	
Accrued leave	(58,018)
Net pension liability	<u>(1,667,553)</u>
Total noncurrent liabilities	<u>(1,725,571)</u>
Certain changes in net pension liabilities are deferred rather than recognized immediately. These items are amortized over time.	
Deferred outflows of resources related to pensions	298,252
Deferred inflows of resources related to pensions	<u>(18,588)</u>
Total deferred pension items	<u>279,664</u>
Total Net Position of Governmental Activities	<u>\$ 10,458,665</u>

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

	Major Fund	Nonmajor	Total
<i>Year Ended June 30, 2017</i>	General	Funds	Governmental Funds
Revenues			
Taxes	\$ 1,324,270	\$ -	\$ 1,324,270
State of Alaska	402,703	-	402,703
Federal government	28,218	-	28,218
Other revenues	413,404	73,852	487,256
Total Revenues	2,168,595	73,852	2,242,447
Expenditures			
Current:			
General government	866,556	-	866,556
Parks and recreation	20,987	-	20,987
Public safety	544,408	-	544,408
Public works	672,948	-	672,948
Community development	-	38,333	38,333
Total Expenditures	2,104,899	38,333	2,143,232
Excess of revenues over expenditures	63,696	35,519	99,215
Other Financing Sources (Uses)			
Transfers out	(52,500)	-	(52,500)
Net change in fund balances	11,196	35,519	46,715
Fund Balances, beginning	3,711,046	179,770	3,890,816
Fund Balances, ending	\$ 3,722,242	\$ 215,289	\$ 3,937,531

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Reconciliation of Change in Fund Balances of Governmental Funds to Statement of Activities

Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$ 46,715
The change in net position reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$760,753) exceeded capital outlays (\$33,084) in the current year and other miscellaneous transactions (\$1,325).	
	(728,994)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	
Increase in accrued leave	(11,992)
Net increase in net pension liability and related deferred accounts	(369,514)
	<hr/>
Change in Net Position of Governmental Activities	<u>\$ (1,063,785)</u>

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Enterprise Funds
Statement of Net Position

	Major Funds				Nonmajor Funds	Total Enterprise Funds
	Bingo	Boat Harbor	Water and Sewer	Refuse		
June 30, 2017						
Assets and Deferred Outflows of Resources						
Current Assets						
Cash and investments	\$ 308,882	\$ -	\$ 71,906	\$ 447,201	\$ 25,958	\$ 853,947
Accounts receivable, net	-	51,156	51,108	26,380	-	128,644
Total Current Assets	308,882	51,156	123,014	473,581	25,958	982,591
Noncurrent Assets						
Buildings and improvements	-	10,795,390	4,572,242	19,400	-	15,387,032
Equipment and vehicles	14,541	613,944	177,509	498,629	-	1,304,623
Sanitary landfill	-	-	-	1,996,889	-	1,996,889
Construction in progress	-	51,226	-	-	-	51,226
Less accumulated depreciation	(14,541)	(1,804,216)	(2,671,568)	(1,814,885)	-	(6,305,210)
Total Noncurrent Assets	-	9,656,344	2,078,183	700,033	-	12,434,560
Total Assets	308,882	9,707,500	2,201,197	1,173,614	25,958	13,417,151
Deferred Outflows of Resources, related to pensions	-	96,135	16,693	37,814	-	150,642
Total Assets and Deferred Outflows of Resources	\$ 308,882	\$ 9,803,635	\$ 2,217,890	\$ 1,211,428	\$ 25,958	\$ 13,567,793
Liabilities, Deferred Inflows of Resources and Net Position						
Current Liabilities						
Accounts payable	\$ 312	\$ 7,363	\$ 17,011	\$ 252	\$ 795	\$ 25,733
Accrued leave	-	24,105	1,320	6,582	-	32,007
Accrued payroll	1,531	-	-	-	-	1,531
Accrued interest payable	-	37,660	-	-	-	37,660
Current portion of bonds payable	-	70,000	-	-	-	70,000
Due to other funds	-	255,713	-	-	-	255,713
Total Current Liabilities	1,843	394,841	18,331	6,834	795	422,644
Noncurrent Liabilities						
Advance from other funds	176,561	-	763,266	-	-	939,827
Bonds payable, net of current portion	-	2,300,000	-	-	-	2,300,000
Bond premium, net	-	348,030	-	-	-	348,030
Landfill closure costs payable	-	-	-	136,251	-	136,251
Net pension liability	-	537,490	93,332	211,419	-	842,241
Total Noncurrent Liabilities	176,561	3,185,520	856,598	347,670	-	4,566,349
Total Liabilities	178,404	3,580,361	874,929	354,504	795	4,988,993
Deferred Inflows of Resources, related to pensions	-	5,991	1,040	2,357	-	9,388
Net Position (Deficit)						
Net investment in capital assets	-	6,938,314	2,078,183	700,033	-	9,716,530
Unrestricted (deficit)	130,478	(721,031)	(736,262)	154,534	25,163	(1,147,118)
Total Net Position	130,478	6,217,283	1,341,921	854,567	25,163	8,569,412
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 308,882	\$ 9,803,635	\$ 2,217,890	\$ 1,211,428	\$ 25,958	\$ 13,567,793

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Enterprise Funds

Statement of Revenues, Expenses and Changes in Net Position (Deficit)

Year Ended June 30, 2017	Major Funds				Nonmajor Funds	Total Enterprise Funds
	Bingo	Boat Harbor	Water and Sewer	Refuse		
Operating Revenues	\$ 632,681	\$ 741,959	\$ 222,538	\$ 125,697	\$ 32,948	\$ 1,755,823
Operating Expenses						
Salaries and benefits	34,620	406,005	142,873	169,339	-	752,837
Services and supplies	527,790	229,813	161,995	33,093	7,785	960,476
Depreciation	-	463,081	126,809	76,128	-	666,018
Total Operating Expenses	562,410	1,098,899	431,677	278,560	7,785	2,379,331
Operating income (loss)	70,271	(356,940)	(209,139)	(152,863)	25,163	(623,508)
Nonoperating Revenues (Expenses)						
State PERS relief	-	9,176	1,593	3,609	-	14,378
Interest expense	-	(114,713)	-	-	-	(114,713)
Net Nonoperating Revenues (Expenses)	-	(105,537)	1,593	3,609	-	(100,335)
Income (loss) before capital contributions and transfers	70,271	(462,477)	(207,546)	(149,254)	25,163	(723,843)
Capital contributions	-	-	23,516	-	-	23,516
Transfers in	-	-	52,500	-	-	52,500
Change in net position	70,271	(462,477)	(131,530)	(149,254)	25,163	(647,827)
Net Position (Deficit), beginning	60,207	6,679,760	1,473,451	1,003,821	-	9,217,239
Net Position, ending	\$ 130,478	\$ 6,217,283	\$ 1,341,921	\$ 854,567	\$ 25,163	\$ 8,569,412

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Enterprise Funds
Statement of Cash Flows

Year Ended June 30, 2017	Major Funds				Nonmajor Funds	Total Enterprise Funds
	Bingo	Boat Harbor	Water and Sewer	Refuse		
Cash Flows from (for) Operating Activities						
Receipts from customers	\$ 632,681	\$ 785,848	\$ 230,299	\$ 168,628	\$ 32,948	\$ 1,850,404
Payments for goods and services	(527,478)	(227,993)	(155,092)	(29,053)	(6,990)	(946,606)
Payments for salaries and benefits	(34,774)	(363,888)	(126,138)	(121,847)	-	(646,647)
Net cash flows from (for) operating activities	70,429	193,967	(50,931)	17,728	25,958	257,151
Cash Flows from Noncapital Financing Activities						
Transfers in	-	-	52,500	-	-	52,500
Cash Flows from (for) Capital and Related Financing Activities						
Additions to capital assets	-	(5,302)	-	-	-	(5,302)
Capital contributions	-	-	23,516	-	-	23,516
Principal paid on long-term debt	-	(65,000)	-	-	-	(65,000)
Interest paid on long-term debt	-	(132,151)	-	-	-	(132,151)
Increase in due to other funds	-	8,486	-	-	-	8,486
Net cash flows from (for) capital and related financing activities	-	(193,967)	23,516	-	-	(170,451)
Net increase (decrease) in cash and investments	70,429	-	25,085	17,728	25,958	139,200
Cash and Investments, beginning	238,453	-	46,821	429,473	-	714,747
Cash and Investments, ending	\$ 308,882	\$ -	\$ 71,906	\$ 447,201	\$ 25,958	\$ 853,947
Reconciliation of Operating Income (Loss) to Net Cash Flows from (for) Operating Activities						
Operating income (loss)	\$ 70,271	\$ (356,940)	\$ (209,139)	\$ (152,863)	\$ 25,163	\$ (623,508)
Adjustments to reconcile operating income (loss) to net cash flows from (for) operating activities:						
Depreciation	-	463,081	126,809	76,128	-	666,018
Noncash expense - PERS relief	-	9,176	1,593	3,609	-	10,769
(Increase) decrease in assets and deferred outflows of resources:						
Accounts receivable, net	-	43,889	7,761	42,931	-	94,581
Deferred outflows of resources related to pensions	-	9,713	(1,704)	(1,680)	-	6,329
Increase (decrease) in liabilities and deferred inflows of resources:						
Accounts payable	312	1,820	6,903	(358)	795	9,472
Accrued leave	-	(1,853)	(175)	2,569	-	541
Accrued payroll	(154)	-	-	-	-	(154)
Landfill closure costs payable	-	-	-	4,398	-	4,398
Net pension liability	-	29,118	18,072	43,004	-	90,194
Deferred inflows of resources related to pensions	-	(4,037)	(1,051)	(10)	-	(5,098)
Net Cash Flows from (for) Operating Activities	\$ 70,429	\$ 193,967	\$ (50,931)	\$ 17,728	\$ 25,958	\$ 253,542

See accompanying notes to basic financial statements.

City of Sand Point, Alaska

Notes to Basic Financial Statements

June 30, 2017

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Sand Point was incorporated in 1966 and has operated as a first-class city since 1978 under a council/mayor form of government. The City provides a full range of services to its citizens including, but not limited to, public safety, streets, health and social services, water and sewer, refuse collection, boat harbor, and general administration.

The basic principle used in determining the scope of the entity for financial reporting purposes is the exercise of oversight responsibility over other governmental units by the City's elected officials. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. No other entities exist for which the City has oversight responsibility.

The accounting policies of City of Sand Point conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

Government-Wide and Fund Financial Statements

Government-wide financial statements include the statement of net position and statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but statements distinguish governmental activities from business-type activities which are generally financed in whole or in part with fees charged to external customers. The statement of activities reports expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported in separate columns with composite columns for nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements report using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only to the extent they have matured.

Major revenue sources susceptible to accrual include charges for services, intergovernmental revenues and investment income. In general, other revenues are recognized when received.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. In addition, general revenues include all taxes, investment income, and State and federal entitlement revenues.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the costs of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major Funds

The City reports the following major governmental fund:

General Fund - Reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

The City reports the following major proprietary funds:

Bingo Enterprise Fund - to account for gaming activities.

Boat Harbor Enterprise Fund - to account for activities of the boat harbor.

Water and Sewer Enterprise Fund - to account for water and sewer utilities.

Refuse Enterprise Fund - to account for activities of the refuse services.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the City considers all cash and investments to be cash equivalents. The central treasury, which holds cash and investments, is used essentially as a cash management pool by each fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” Long-term loans between funds are classified as “advances to/from other funds.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

At the governmental fund financial reporting level, an “advance receivable” is offset by nonspendable fund balance in the General Fund to indicate that it is not available for general appropriation.

Capital Assets

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded.

Estimated useful lives in years for depreciable assets are as follows:

	Years
Buildings and improvements	20-40
Machinery	5-10
Equipment and vehicles	5-10
Improvements other than buildings	10-20
Landfill	32

Compensated Absences

It is the City’s policy to allow employees to accumulate earned but unused annual leave. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Unearned Revenue

Amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met are recorded as unearned revenue.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Long-term Debt

In government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Governmental fund financial statements recognize proceeds of debt and premiums as other financing sources of the current period.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources:

Nonspendable fund balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources-committed, assigned, and unassigned-in order as needed.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Use of Estimates

Preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect amounts reported in these financial statements. Accordingly, actual results could differ from those estimates.

Budgetary Accounting

The annual City operating budget is prepared by management in the spring preceding the fiscal year to which it relates. The budget is submitted to the City Council for review and approval. Legal enactment of the budget is obtained through passage of a City ordinance. Amendments to the budget can occur any time during the fiscal year through City Council action.

The budget is enacted at the department level. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United State of America.

Grants and Other Intergovernmental Revenues

In applying the measurable and available concept to grants and intergovernmental revenues, legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts are considered “earned”; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the measurable and available criteria are met.

2. Cash and Investments

Reconciliation of Deposit and Investment Balances

The following is a reconciliation of the City’s deposit and investment balances to the financial statements as of June 30, 2017.

	Totals
Deposit accounts and cash on hand	\$ 982,881
Pooled investment	2,284,226
Total Cash and Investments	\$ 3,267,107

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a policy for custodial credit risk. At June 30, 2017, \$250,000 of the City’s Wells Fargo bank deposits and \$250,000 of the City’s Alaska USA bank deposits were insured by the Federal Deposit Insurance Corporation. The remaining balance of deposits were uninsured and uncollateralized. The Pooled Investment (AMLIP, see below) is not subject to custodial credit risk.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Investments

Municipal code allows the City to invest in the following items:

- a) Cash reserves of other public entities
- b) Alaska Municipal League Investment Pool

Pooled investments are invested with the Alaska Municipal League Investment Pool, Inc. (AMLIP). The AMLIP is an external investment pool which is rated AAAM for credit risk purposes. Alaska Statute 37.23 establishes regulatory oversight of the pool. The law sets forth numerous requirements regarding authorized investments and reporting. The City's investment in AMLIP of \$2,284,226 is measured at net asset value, as of June 30, 2017. Management believes these values approximate fair value.

The City has investments in certificate of deposits totaling \$405,592 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2017.

Southwest Governments, LLC

The City holds a 20% interest in Southwest Governments, LLC, a company that owns and rents an office building in Anchorage, Alaska. At June 30, 2017, the City's investment in the LLC was \$271,885. This investment is considered noncurrent, and accordingly, an equal amount of fund balance of the General Fund is shown as nonspendable. In 2017, the City received \$20,007 in cash distributions and its share of earnings of Southwest Governments, LLC was \$14,160, which is included in other revenue.

The City's investment in Southwest Governments, LLC is accounted for under the equity method. Under the equity method, original investments are recorded at cost and adjusted by the City's share of undistributed earnings or losses. The City would recognize an impairment loss when there is a loss in value in the equity method investment which is other than a temporary decline.

3. Receivables and Allowance for Uncollectible Accounts

The City maintains accounts receivable balances of which a portion is reserved as an allowance for doubtful accounts. At June 30, 2017, receivables for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Boat Harbor Enterprise Fund	Water and Sewer Enterprise Fund	Refuse	Nonmajor Funds	Totals
Accounts	\$ 8,867	\$ 107,699	\$ 45,908	\$ 34,020	-	\$ 196,494
Sales and fish taxes	189,229	-	-	-	-	189,229
Grants	-	-	23,516	-	-	23,516
Other	4,896	-	-	-	-	4,896
Total receivables	202,992	107,699	69,424	34,020	-	414,135
Less allowance for uncollectible accounts	-	(56,543)	(18,316)	(7,640)	-	(82,499)
Net Receivables	\$ 202,992	\$ 51,156	\$ 51,108	\$ 26,380	-	\$ 331,636

City of Sand Point, Alaska

Notes to Basic Financial Statements

4. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 8,590,637	\$ -	\$ -	\$ 8,590,637
Improvements other than buildings	4,531,869			4,531,869
Equipment and vehicles	1,997,618	33,084	132,736	1,897,966
Total assets being depreciated	15,120,124	33,084	132,736	15,020,472
Less accumulated depreciation for:				
Buildings	4,339,832	429,532	-	4,769,364
Improvement other than buildings	431,697	232,663	-	664,360
Equipment and vehicles	1,652,560	98,558	131,411	1,619,707
Total accumulated depreciation	6,424,089	760,753	131,411	7,053,431
Total capital assets being depreciated, net	8,696,035	727,669	1,325	7,967,041
Governmental Activity Capital Assets, net	\$ 8,696,035	\$ 727,669	\$ 1,325	\$ 7,967,041
Business-type Activities				
<i>Capital assets not being depreciated -</i>				
Construction in progress	\$ 51,226	\$ -	\$ -	\$ 51,226
<i>Capital assets being depreciated</i>				
Buildings and improvements	15,387,032	-	-	15,387,032
Equipment and vehicles	1,304,321	5,302	5,000	1,304,623
Landfill	1,996,889	-	-	1,996,889
Total assets being depreciated	18,688,242	5,302	5,000	18,688,544
Less accumulated depreciation for:				
Buildings and improvements	3,238,046	554,661		3,792,707
Equipment and vehicles	1,158,087	48,954	4,999	1,202,042
Landfill	1,248,058	62,403		1,310,461
Total accumulated depreciation	5,644,191	666,018	5,000	6,305,210
Total capital assets being depreciated, net	13,044,051	(660,716)	-	12,383,334
Business-type Activity Capital Assets, net	\$ 13,095,277	\$ (660,716)	\$ -	\$ 12,434,560

City of Sand Point, Alaska

Notes to Basic Financial Statements

Depreciation expense was charged to the functions as follows for the year ended June 30, 2017:

Governmental Activities	
General government	\$ 426,639
Parks and recreation	7,803
Community development	12,229
Public safety	37,584
Public works	276,498
Total Depreciation Expense - Governmental Activities	\$ 760,753
Business type Activities	
Boat harbor	\$ 463,081
Refuse collection	76,128
Water and sewer	126,809
Total Depreciation Expense - Business-type Activities	\$ 666,018

5. Long-term Debt

General Obligation Bonds

The City of Sand Point issued general obligation bonds for the expansion of the Small Boat Harbor. The general obligation bonds pledge the full faith and credit of the City. Bonds in the amount of \$2,615,000 were issued on March 12, 2013.

All of the bonds outstanding are held by the Alaska Municipal Bond Bank Authority. This State of Alaska agency purchases bonds from municipalities within the State, while simultaneously selling its own bonds to third parties in order to fund the bond purchases.

Bonds currently outstanding are as follows:

Business-type Activities	Interest Rates	Outstanding Balance
Small boat harbor - \$2,615,000, 2013 Series One general obligation bonds, due in annual principal payments of \$65,000 to \$175,000 through 2038	3.8%-5%	\$ 2,370,000

City of Sand Point, Alaska

Notes to Basic Financial Statements

Debt service requirements to maturity for the general obligation bonds are as follows:

Business-type Activities

<i>Fiscal Year</i>	Principal	Interest
2018	\$ 70,000	\$ 112,980
2019	70,000	110,180
2020	75,000	106,680
2021	80,000	103,680
2022	80,000	100,480
2023-2025	270,000	280,540
2026-2030	550,000	370,650
2031-2035	680,000	223,890
2036-2038	495,000	50,500
Total	\$ 2,370,000	\$ 1,459,580

Changes in long-term liabilities for the year ended June 30, 2017 follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities					
Accrued leave	\$ 46,026	\$ 60,293	\$ 48,301	\$ 58,018	\$ 58,018
Net pension liability	1,264,641	402,912	-	1,667,553	-
Total Governmental Activities	\$ 1,310,667	\$ 463,205	\$ 48,301	\$ 1,725,571	\$ 58,018

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Business-type Activities					
General obligation bonds	\$ 2,435,000	\$ -	\$ 65,000	\$ 2,370,000	\$ 70,000
Bond premium	364,602	-	16,572	348,030	16,572
Landfill closure liability	131,854	4,397	-	136,251	-
Accrued leave	31,466	24,302	23,761	32,007	32,007
Net pension liability	752,047	90,194	-	842,241	-
Total Business-type Activities	\$ 3,714,969	\$ 118,893	\$ 105,333	\$ 3,728,529	\$ 118,579

City of Sand Point, Alaska

Notes to Basic Financial Statements

6. Fund Balances

Fund balances, reported for the individual major fund, and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints at June 30, 2017:

	General Fund	Nonmajor Funds	Totals
Nonspendable:			
Investment in Southwest Governments, LLC	\$ 271,885	\$ -	\$ 271,885
Advance to other funds	939,827	-	939,827
Total nonspendable	1,211,712	-	1,211,712
Assigned:			
Next year's budget	71,400	-	71,400
Silver Salmon Derby	-	16,212	16,212
Clinic	-	199,077	199,077
Total assigned	71,400	215,289	286,689
Unassigned	2,439,130	-	2,439,130
Total Fund Balances	\$ 3,722,242	\$ 215,289	\$ 3,937,531

7. Interfund Balances

A schedule of interfund balances and transfers for the year ended June 30, 2017, follows:

Due from Other Funds

Due from the Boat Harbor Enterprise Fund to the General Fund for operating expenses and capital costs	\$ 255,713
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Advance to Other Funds

Advances from the General Fund to:	
Water and Sewer Enterprise Fund for capital and operating costs	\$ 763,266
Bingo Enterprise Fund for operations	176,561

Total Advances to Other Funds	\$ 939,827
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Transfers

Transfer from the General Fund to -	
Water and Sewer Enterprise Fund for operating expenses	\$ 52,500

Total Transfers to Other Funds	\$ 52,500
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City of Sand Point, Alaska

Notes to Basic Financial Statements

8. Defined Benefit (DB) Pension Plan

General Information About the Plan

The City participates in the Alaska Public Employees Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/drb/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against *all* PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows and outflows of resources, and disclosures on this basis.

The City records the on-behalf contributions as revenue and expense/expenditures in the fund financial statements.

It is important to note that the legislature has the power and the authority to change the aforementioned statute through the legislative process.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary (Police and firefighters are required to contribute 7.5% of their annual covered salary).

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2016, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

GASB Rate: This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY17, the rate uses an 8.00% pension discount rate and a 4.30% healthcare discount rate.

City of Sand Point, Alaska

Notes to Basic Financial Statements

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2017 were determined in the June 30, 2014 actuarial valuation and are as follows:

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	14.96%	20.34%	4.14%	24.49%
Postemployment healthcare (see Note 10)	7.04%	5.80%	0.00%	56.64%
Total Contribution Rates	22.00%	26.14%	4.14%	81.13%

In 2017, the City was credited with the following contributions to the pension plan.

	Measurement Period City FY16	City FY17
Employer contributions (including DBUL)	\$ 101,325	\$ 114,845
Nonemployer contributions (on-behalf)	46,690	51,025
Total Contributions	\$ 148,015	\$ 165,870

In addition, employee contributions to the Plan totaled \$25,939 during the City's fiscal year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2017, the City reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the City. The amount recognized by the City for its proportional share, the related State proportion, and the total were as follows:

	2017
City proportionate share of NPL	\$ 2,509,794
State's proportionate share of NPL associated with the City	268,000
Total Net Pension Liability	\$ 2,777,794

City of Sand Point, Alaska

Notes to Basic Financial Statements

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At June 30, 2017, the City's proportion was 0.4490 percent, which was an increase of 0.00332 percent from its proportion measured as of prior measurement date.

For the year ended June 30, 2017, the City recognized pension expense of \$575,784 and on-behalf revenue of \$42,850 for support provided by the State. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 231	\$ (27,976)
Changes in assumptions	11,576	-
Net difference between projected and actual earnings on pension plan investments	246,701	-
Changes in proportion and differences between City contributions and proportionate share of contributions	75,540	-
City contributions subsequent to the measurement date	114,845	-
Total Deferred Outflows and Deferred Inflows of Resources	\$ 448,893	\$ (27,976)

The \$97,032 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year End June 30,

2018	\$ 97,032
2019	43,064
2020	100,852
2021	65,124

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City of Sand Point, Alaska

Notes to Basic Financial Statements

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2016 (City fiscal year 2017) was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2016. The actuarial assumptions used in the June 30, 2014 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

Actuarial Cost Method	Entry Age Normal - Level Percentage of Payroll
Asset Valuation Method	Invested assets are reported at fair value.
Allocation Methodology	Amounts for FY16 were allocated to employers based on the projected present value of contributions for FY2017-FY2039. The liability is expected to go to zero at 2039.
Investment Return / Discount Rate	8.00% per year (geometric), compounded annually, net of expenses
Salary Scale	Inflation - 3.12% per year Productivity - 0.50% per year Peace Officer/Firefighter - graded by years of service from 9.66% to 4.92% Central All others - graded by age and years of service from 8.55% to 4.34%
Total Inflation	Measured by the consumer price index for urban and clerical workers for Anchorage and is assumed to increase 3.12% annually.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

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City of Sand Point, Alaska

Notes to Basic Financial Statements

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	<i>Long-term Expected Real Rate of Return</i>
Domestic equity	5.35%
Global equity (non-us)	5.55%
Private equity	6.25%
Fixed income	0.80%
Real estate	3.65%
Alternative equity	4.70%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	<i>1% Decrease (7.00%)</i>	<i>Current Discount Rate (8.00%)</i>	<i>1% Increase (9.00%)</i>
City's proportionate share of the net pension liability	\$ 3,232,487	\$ 2,509,794	\$ 1,900,235

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

City of Sand Point, Alaska

Notes to Basic Financial Statements

9. Defined Contribution (DC) Pension Plan

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the City contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2017, the City was required to contribute 5% of covered salary into the Plan. In addition, during 2017, the State on-behalf contribution rate for OPEB was 1.56%.

The City and employee contributions to PERS for pensions for the year ended June 30, 2017 were \$37,262 and \$59,619, respectively. The City contribution amount was recognized as pension expense/expenditures.

10. Other Post-Employment Benefit (OPEB) Plans

Defined Benefit OPEB

As part of its participation in the PERS DB Plan (Tiers I, II, III), the City participates in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the System. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the Defined Benefit Pension Plan described earlier in these notes.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Employer Contribution Rate

The City is required to contribute 8.75% of covered payroll into the OPEB plan. Employees do not contribute to the DB OPEB plans.

Annual Postemployment Healthcare Cost

Actual contributions into the Plan for the last three years were as follows. The amounts reported here include only the employer required contributions and do not include any amounts attributed to the on-behalf contributions by the State. There were no on-behalf contributions to the OPEB Plan in 2017; however, on-behalf contributions to the OPEB plan in 2016 and 2015 were \$19,993 and \$0, respectively.

Actual contributions into the Plan for the last three years were as follows.

<i>Year Ended June 30,</i>	Annual OPEB Costs	City Contributions	% of Costs Contributed
2017	\$ 34,046	\$ 34,046	100 %
2016	\$ 66,843	\$ 66,843	100 %
2015	\$ 72,473	\$ 72,473	100 %

Defined Contribution OPEB

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employer Contribution Rates

Employees do not contribute to the DC OPEB plans. Employer contribution rates were as follows for the year ended June 30, 2017:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.18%	1.18%
Occupational death and disability benefits	0.17%	0.49%
Total Contribution Rates	1.35%	1.67%

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as “three percent of the average annual employee compensation of *all employees of all employers* in the plan”. As of July 1, 2016, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,049 per year for each full-time employee, and \$1.31 per hour for part-time employees.

City of Sand Point, Alaska

Notes to Basic Financial Statements

Annual Postemployment Healthcare Cost

In FY17, the City contributed \$41,651 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

11. Landfill Closure and Postclosure Liability

The City operates a local landfill. State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, generally accepted accounting principles require that the City report a portion of these closure and postclosure care costs each period based on landfill capacity used as of each balance sheet date.

The City has estimated the closure and post closure costs to be \$219,800 with an estimated remaining life through 2036. At June 30, 2017, the City has recognized \$136,251 of this liability on the statement of net position, an increase of \$4,397 from the prior year. The City will recognize the remaining estimated cost of closure and post closure care of \$83,549 as the remaining expected usage is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2017. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The remaining life of the landfill is estimated to be approximately 19 years.

At June 30, 2017 the City has not committed or assigned any fund balance to fund the cost of closure and post closure monitoring, nor have any assets been restricted for this purpose.

12. Risk Management

The City faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability; i.e., errors and omissions, (d) environmental damage, (e) workers' compensation; i.e., employee injuries, and (f) medical insurance costs of employees.

The City is a member of Alaska Public Entity Insurance (APEI), a governmental insurance pool. APEI provides the City coverage for property, including building and contents, automobiles, mobile equipment, data processing equipment and boiler and machinery; casualty, including general liability, public officials and employees liability, law enforcement professional liability, auto liability and employee benefit liability; workers' compensation, including employers liability; and commercial blanket bond. The City maintains supplemental marine insurance and firefighter's group accident coverage with insurance companies placed through APEI. The City has no coverage for potential losses from environmental damages.

APEI is a public entity risk pool organized to share risks among its members. Its bylaws provide for the assessment of supplemental contributions from members in the event that losses and expenses for any coverage year exceed the annual contributions and income earned on such contributions for the year. Such supplemental contributions shall be based upon each member's deposit contribution in comparison to the aggregate deposit contributions of all members. There were no supplemental assessments made during the year ended June 30, 2017.

City of Sand Point, Alaska

Notes to Basic Financial Statements

13. Contingencies

Grants

The City has received grants which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement for expenditures disallowed under the terms of the grant. Management believes that such disallowances for grants, if any, would not be material.

14. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes that GASB Statement 75 will result in the biggest reporting change. However, actual impacts have not yet been determined

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Effective for year-end June 30, 2018, with earlier application encouraged - This statement contains accounting and financial reporting guidelines for OPEB related activities at the participating employer level and generally brings the OPEB reporting rules into alignment with the new GASB 68 Pension rules.

GASB 81 - Irrevocable Split-Interest Agreements - Effective for year-end June 30, 2018, with earlier application encouraged - This statement establishes recording and recognition criteria for governments who receive resources pursuant to an irrevocable split-interest agreement.

GASB 83 - Certain Asset Retirement Obligations - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

GASB 84 - Fiduciary Activities - Effective for year-end June 30, 2020, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

GASB 85 - Omnibus - Effective for year-end June 30, 2018, with earlier application encouraged - This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. Issues covered include blending of component units, goodwill, fair value measurement and application, and postemployment benefits.

GASB 86 - Certain Debt Extinguishment Issues - Effective for year-end June 30, 2018, with earlier application encouraged - This statement addresses accounting and financial reporting for in-substance defeasance of debt when only existing resources are used, as well as accounting and financial reporting for prepaid insurance on extinguished debt.

GASB 87 - Leases - Effective for year-end June 30, 2021, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Required Supplementary Information

City of Sand Point, Alaska
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2017</i>	Original Budget	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budgetary Basis	Variance with Final Budget
Revenues						
Taxes	\$ 1,496,500	\$ 1,496,500	\$ 1,324,270	\$ -	\$ 1,324,270	\$ (172,230)
State of Alaska	427,760	427,760	402,703	(33,882)	368,821	(58,939)
Federal government	-	-	28,218	-	28,218	28,218
Other revenues	422,500	422,500	413,404	-	413,404	(9,096)
Total Revenues	2,346,760	2,346,760	2,168,595	(33,882)	2,134,713	(212,047)
Expenditures - Current						
General government	1,051,160	1,051,160	866,556	-	866,556	184,604
Parks and recreation	25,500	25,500	20,987	-	20,987	4,513
Public safety	520,000	520,000	544,408	-	544,408	(24,408)
Public works	940,950	940,950	672,948	-	672,948	268,002
Total Expenditures	2,537,610	2,537,610	2,104,899	-	2,104,899	432,711
Excess of revenues over (under) expenditures	(190,850)	(190,850)	63,696	(33,882)	29,814	220,664
Other Financing (Uses) Sources:						
Transfers in	-	-	-	-	-	-
Transfers out	-	(52,500)	(52,500)	-	(52,500)	-
Net Other Financing (Uses) Sources	-	(52,500)	(52,500)	-	(52,500)	-
	<u>\$ (190,850)</u>	<u>\$ (243,350)</u>	<u>11,196</u>	<u>\$ (33,882)</u>	<u>\$ (22,686)</u>	<u>\$ 220,664</u>
Fund Balance, beginning			<u>3,711,046</u>			
Fund Balance, ending			<u>\$ 3,722,242</u>			

See accompanying notes to Required Supplementary Information.

City of Sand Point, Alaska
Public Employees Retirement System (PERS)
Schedule of the City's Information on the Net Pension Liability

<i>Years Ended June 30,</i>	City's Proportion of the net Pension Liability	City's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.04158%	\$ 2,016,688	\$ 538,967	\$ 2,555,655	\$ 1,112,644	181%	63.98%
2017	0.04490%	\$ 2,509,794	\$ 268,000	\$ 2,777,794	\$ 1,238,644	203%	59.55%

See accompanying notes to Required Supplementary Information.

City of Sand Point, Alaska
Public Employees Retirement System (PERS)
Schedule of the City's Contributions

<i>Years Ended June 30,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 101,325	\$ 101,325	\$ -	\$ 1,238,890	8.18%
2017	\$ 114,845	\$ 114,845	\$ -	\$ 1,166,419	9.85%

See accompanying notes to Required Supplementary Information.

City of Sand Point, Alaska

Notes to Required Supplementary Information

1. General Fund Schedule of Revenues, Expenditures, and Changes in Fund balance

The General Fund Budgetary Comparison Schedule is presented on the modified accrual basis of accounting. The City did not budget for the PERS on-behalf contribution; however accounting principles generally accepted in the United States, require that on-behalf revenue and expenditures be reported in the financial statements, resulting in a budgetary to GAAP basis difference. The PERS on-behalf represents the only reconciling item from budgetary to GAAP basis.

2. Public Employees Retirement System - Schedule of the City's Information on the Net Pension Liability

This table is presented based on the Plan measurement date. For June 30, 2017, the Plan measurement date is June 30, 2016.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

There was a significant change in the allocation methodology. For the measurement period ended June 30, 2014, the liability was allocated to participating employers based on actual contributions for 2014. For the measurement period ended June 30, 2016, the liability is allocated based on projected contributions for fiscal years 2017-2039, as calculated in the June 30, 2014 actuarial valuation.

3. Public Employees Retirement System - Schedule of the City's Contributions

This table is based on the City's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow on the Statement of Net Position.

This table is intended to present 10 years of information. Additional years' information will be included as it becomes available.

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Supplementary Information

City of Sand Point, Alaska

General Fund
Balance Sheet

<i>June 30,</i>	2017	2016
Assets		
Cash and investments	\$ 2,197,871	\$ 2,137,341
Receivables:		
Sales tax	79,274	85,343
Fish tax	109,955	78,884
Other	13,763	59,794
Investment in Southwest Governments, LLC	271,885	277,725
Due from other funds	255,713	247,227
Advance to other funds	939,827	939,827
Total Assets	\$ 3,868,288	\$ 3,826,141
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 31,018	\$ 21,749
Unearned revenue	4,538	-
Accrued liabilities	110,490	93,346
Total Liabilities	146,046	115,095
Fund Balance		
Nonspendable:		
Investment in Southwest Governments, LLC	271,885	277,725
Advance to other funds	939,827	939,827
Assigned - next year's budget	71,400	190,000
Unassigned	2,439,130	2,303,494
Total Fund Balance	3,722,242	3,711,046
Total Liabilities and Fund Balance	\$ 3,868,288	\$ 3,826,141

City of Sand Point, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended June 30,		2017				2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budgetary Basis	Variance with Budget	Actual GAAP Basis
Revenues						
Taxes:						
Sales taxes	\$ 860,000	\$ 725,362	\$ -	\$ 725,362	\$ (134,638)	\$ 822,316
Local raw fish taxes	620,000	590,065	-	590,065	(29,935)	605,736
Accommodation taxes	16,500	8,843	-	8,843	(7,657)	14,020
Total taxes	1,496,500	1,324,270	-	1,324,270	(172,230)	1,442,072
State of Alaska:						
Shared fisheries and raw fish tax	35,000	35,222	-	35,222	222	34,947
Fish resource landing tax	250,000	239,248	-	239,248	(10,752)	270,014
Library grants	4,200	-	-	-	(4,200)	-
State revenue sharing	87,060	89,751	-	89,751	2,691	134,653
State PERS relief	40,000	33,882	(33,882)	-	(40,000)	42,213
Other state grants	7,500	-	-	-	(7,500)	-
State liquor licenses	4,000	4,600	-	4,600	600	-
Total State of Alaska	427,760	402,703	(33,882)	368,821	(58,939)	481,827
Federal Government	-	28,218	-	28,218	28,218	51,590
Other revenues:						
Payment in lieu of taxes - local sources	150,000	150,000	-	150,000	-	150,000
Building rental	139,500	163,907	-	163,907	24,407	148,887
Gravel sales	10,000	-	-	-	(10,000)	-
Equipment rental	15,000	30,884	-	30,884	15,884	31,130
Business licenses	3,500	1,850	-	1,850	(1,650)	4,225
EMS fund	500	-	-	-	(500)	2,857
Anchorage office	20,000	14,160	-	14,160	(5,840)	22,689
Local donation	-	5,768	-	5,768	5,768	4,540
Other	84,000	46,835	-	46,835	(37,165)	97,890
Total other revenues	422,500	413,404	-	413,404	(9,096)	462,218
Total Revenues	2,346,760	2,168,595	(33,882)	2,134,713	(212,047)	2,437,707

City of Sand Point, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

Years Ended June 30,		2017				2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budgetary Basis	Variance with Budget	Actual GAAP Basis
Expenditures						
General government:						
Legislative:						
Salaries	\$ 42,000	\$ 37,510	\$ -	\$ 37,510	\$ 4,490	\$ 36,373
Fringe benefits	73,800	87,860	-	87,860	(14,060)	86,466
Travel and per diem	12,000	13,772	-	13,772	(1,772)	15,109
Dues and fees	4,000	3,249	-	3,249	751	5,837
Total legislative	131,800	142,391	-	142,391	(10,591)	143,785
Administration:						
Salaries	327,680	333,672	-	333,672	(5,992)	291,085
Contractual services	38,000	-	-	-	38,000	29,822
Fringe benefits	53,600	78,441	-	78,441	(24,841)	113,456
Travel and per diem	20,000	17,903	-	17,903	2,097	18,966
Telephone	14,000	19,075	-	19,075	(5,075)	13,689
Postage	5,000	4,657	-	4,657	343	4,682
Supplies	10,000	9,222	-	9,222	778	11,398
Equipment	5,000	6,018	-	6,018	(1,018)	20,032
Equipment maintenance	4,000	6,366	-	6,366	(2,366)	10,358
Dues and fees	10,000	11,858	-	11,858	(1,858)	12,409
Anchorage office	10,000	8,667	-	8,667	1,333	9,331
Audit	32,000	73,943	-	73,943	(41,943)	30,845
Legal	16,000	3,790	-	3,790	12,210	6,737
Insurance	130,000	112,691	-	112,691	17,309	127,499
Bank service charges	10,000	12,047	-	12,047	(2,047)	12,925
Fuel	4,000	2,081	-	2,081	1,919	4,181
Freight/speed paks	3,000	2,437	-	2,437	563	1,474
Elections	800	770	-	770	30	664
Donations	15,000	6,609	-	6,609	8,391	12,150
Hospitality	5,000	3,213	-	3,213	1,787	4,959
Library	2,500	1,243	-	1,243	1,257	1,985
Event costs	20,000	5,941	-	5,941	14,059	19,114
Airport leases	3,200	-	-	-	3,200	-
Bond payment	180,580	-	-	-	180,580	-
Other	-	3,521	-	3,521	(3,521)	6,922
Total administration	919,360	724,165	-	724,165	195,195	764,683
Total General Government	1,051,160	866,556	-	866,556	184,604	908,468

City of Sand Point, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

Years Ended June 30,		2017				2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budgetary Basis	Variance with Budget	Actual GAAP Basis
Expenditures, continued						
Parks and recreation:						
Salaries	\$ 23,000	\$ 19,316	\$ -	\$ 19,316	\$ 3,684	\$ 21,306
Fringe benefits	2,500	1,671	-	1,671	829	1,904
Supplies	-	-	-	-	-	275
Total parks and recreation	25,500	20,987	-	20,987	4,513	23,485
Public safety:						
Police:						
Salaries	285,000	221,090	-	221,090	63,910	284,771
911 dispatchers	25,000	25,990	-	25,990	(990)	24,947
Contractual services	-	60,336	-	60,336	(60,336)	-
Fringe benefits	95,000	104,080	-	104,080	(9,080)	106,063
Travel and per diem	8,000	13,801	-	13,801	(5,801)	8,451
Telephone	9,000	11,937	-	11,937	(2,937)	9,463
Supplies	5,000	3,769	-	3,769	1,231	6,711
Equipment	20,000	9,022	-	9,022	10,978	6,876
Equipment maintenance	8,500	18,690	-	18,690	(10,190)	7,686
Dues and fees	2,500	1,472	-	1,472	1,028	6,962
Fuel	16,000	8,803	-	8,803	7,197	9,613
Freight/speed paks	500	3,061	-	3,061	(2,561)	1,576
Relocation costs	4,000	9,432	-	9,432	(5,432)	3,114
Total police	478,500	491,483	-	491,483	(12,983)	476,233
Emergency services:						
Volunteer stipend	7,500	9,250	-	9,250	(1,750)	6,150
Contractual	5,000	6,300	-	6,300	(1,300)	6,000
Travel and per diem	500	850	-	850	(350)	-
Telephone	3,500	3,702	-	3,702	(202)	3,599
Supplies	2,000	821	-	821	1,179	739
Equipment	2,500	-	-	-	2,500	735
Equipment maintenance	2,500	-	-	-	2,500	1,039
Equipment fuel	1,000	243	-	243	757	75
Dues and fees	500	100	-	100	400	22
Utilities	500	-	-	-	500	-
Freight	500	68	-	68	432	547
Total emergency services	26,000	21,334	-	21,334	4,666	18,906

City of Sand Point, Alaska

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

Years Ended June 30,	2017					2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budgetary Basis	Variance with Budget	Actual GAAP Basis
Expenditures, continued						
Public safety, continued:						
Fire:						
Fringe benefits	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000	\$ -
Telephone	1,000	729	-	729	271	712
Fireboat	1,500	-	-	-	1,500	1,173
Supplies	1,000	98	-	98	902	-
Equipment	2,500	-	-	-	2,500	-
Equipment maintenance	3,500	28,550	-	28,550	(25,050)	417
Equipment fuel	1,000	66	-	66	934	120
Dues and fees	500	-	-	-	500	-
Utilities	2,000	1,093	-	1,093	907	1,668
Freight	500	1,055	-	1,055	(555)	-
Total fire	15,500	31,591	-	31,591	(16,091)	4,090
Total public safety	520,000	544,408	-	544,408	(24,408)	499,229
Public works:						
General:						
Salaries	316,000	279,818	-	279,818	36,182	254,292
Contractual	5,000	-	-	-	5,000	5,828
Fringe benefits	70,600	63,035	-	63,035	7,565	82,977
Travel and per diem	3,000	909	-	909	2,091	1,031
Telephone	3,000	5,285	-	5,285	(2,285)	3,751
Supplies	20,000	13,258	-	13,258	6,742	12,374
Equipment	60,000	1,314	-	1,314	58,686	507
Equipment maintenance	55,000	16,827	-	16,827	38,173	30,642
Equipment fuel	20,000	7,292	-	7,292	12,708	9,583
Dues and fees	500	110	-	110	390	61
Street lights	20,000	2,619	-	2,619	17,381	16,306
Utilities	1,500	14,405	-	14,405	(12,905)	-
Fuel	20,000	11,512	-	11,512	8,488	44,150
Repairs	7,500	2,766	-	2,766	4,734	516
Freight/speed paks	12,500	7,985	-	7,985	4,515	7,587
Total general	614,600	427,135	-	427,135	187,465	469,605

City of Sand Point, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended June 30,</i>	2017					2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budgetary Basis	Variance with Budget	Actual GAAP Basis
Expenditures, continued						
Public works, continued:						
Facilities:						
Salaries	\$ 84,000	\$ 94,922	\$ -	\$ 94,922	\$ (10,922)	\$ 87,524
Fringe benefits	33,600	52,947	-	52,947	(19,347)	58,169
Municipal building:						
Supplies	15,000	9,630	-	9,630	5,370	12,822
Equipment	2,500	312	-	312	2,188	1,361
Equipment maintenance	1,500	641	-	641	859	414
Dues and fees	500	-	-	-	500	-
Utilities	10,000	11,108	-	11,108	(1,108)	7,995
Fuel	50,000	27,547	-	27,547	22,453	31,677
Repairs	55,000	3,848	-	3,848	51,152	21,393
Freight/speed paks	10,000	2,165	-	2,165	7,835	5,190
City houses:						
Supplies	1,500	25	-	25	1,475	-
Equipment	500	723	-	723	(223)	1,534
Fuel	15,000	17,918	-	17,918	(2,918)	7,819
Repairs	8,000	910	-	910	7,090	741
Freight/speed paks	2,500	88	-	88	2,412	1,207
Utilities	5,000	1,906	-	1,906	3,094	2,155
RATNET building - utilities	750	357	-	357	393	535
Clinic facility:						
Supplies	500	-	-	-	500	-
Repairs	2,000	1,814	-	1,814	186	1,774
Freight	500	-	-	-	500	-
4-plex:						
Supplies	1,000	786	-	786	214	-
Equipment	1,500	831	-	831	669	1,799
Utilities	3,000	1,721	-	1,721	1,279	1,638
Fuel	12,000	9,035	-	9,035	2,965	8,753
Repairs	1,000	1,458	-	1,458	(458)	1,649
Teen center:						
Utilities	4,000	2,602	-	2,602	1,398	2,659
Fuel	4,000	2,244	-	2,244	1,756	2,729
Repairs	1,500	275	-	275	1,225	300
Total facilities	326,350	245,813	-	245,813	80,537	261,837
Total public works	940,950	672,948	-	672,948	268,002	731,442

City of Sand Point, Alaska
General Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual, continued

<i>Years Ended June 30,</i>	2017					2016
	Final Budget	Actual GAAP Basis	Budget to GAAP Difference	Actual Budgetary Basis	Variance with Budget	Actual GAAP Basis
Expenditures, continued						
Total Expenditures	\$ 2,537,610	\$ 2,104,899	\$ -	\$ 2,104,899	\$ 432,711	\$ 2,162,624
Excess of revenues over (under) expenditures	(190,850)	63,696	(33,882)	29,814	(220,664)	275,083
Other Financing Sources (Uses)						
Transfers out	(52,500)	(52,500)	-	(52,500)	-	(132,494)
Transfers in	-	-	-	-	-	384,081
Net Other Financing Sources (Uses)	(52,500)	(52,500)	-	(52,500)	-	251,587
Net change in fund balance	<u>\$ (243,350)</u>	11,196	<u>\$ (33,882)</u>	<u>\$ (22,686)</u>	<u>\$ (220,664)</u>	526,670
Beginning, fund balance		<u>3,711,046</u>				<u>3,184,376</u>
Ending, fund balance		<u>\$ 3,722,242</u>				<u>\$ 3,711,046</u>

City of Sand Point, Alaska
Nonmajor Governmental Funds
Combining Balance Sheet

	Special Revenue Funds		Total
	Silver	Clinic	Nonmajor
	Salmon		Governmental
	Derby	Operations	Funds
<i>June 30, 2017</i>			
Assets			
Cash and investments	\$ 16,212	\$ 199,077	\$ 215,289
Fund Balances			
Assigned:			
Silver Salmon Derby	\$ 16,212	\$ -	\$ 16,212
Clinic	-	199,077	199,077
Total Fund Balances	\$ 16,212	\$ 199,077	\$ 215,289

City of Sand Point, Alaska

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

	Special Revenue Funds		Total Nonmajor Govern- mental Funds
	Silver Salmon Derby	Clinic Operations	
<i>Year Ended June 30, 2017</i>			
Revenues			
Other revenues	\$ 32,920	\$ 40,932	\$ 73,852
Expenditures			
Community development	38,333	-	38,333
Net change in fund balances	(5,413)	40,932	35,519
Fund Balances, beginning	21,625	158,145	179,770
Fund Balances, ending	\$ 16,212	\$ 199,077	\$ 215,289

City of Sand Point, Alaska
Nonmajor Enterprise Fund - Rock Crusher
Statement of Net Position

<i>June 30,</i>	<i>2017</i>
Assets	
Current Assets	
Cash and investments	\$ 25,958
Total Assets	\$ 25,958
Liabilities	
Current Liabilities	
Accounts payable	\$ 795
Total Liabilities	795
Net Position	
Unrestricted	25,163
Total Net Position	25,163
Total Liabilities and Net Position	\$ 25,958

City of Sand Point, Alaska
Nonmajor Enterprise Fund - Rock Crusher
Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30,</i>	<i>2017</i>
Operating Revenues - gravel sales	\$ 32,948
Operating Expenses	
Equipment and equipment maintenance	1,394
Rock royalty	6,391
Total Operating Expenses	7,785
Change in net position	25,163
Net Position, beginning	-
Net Position, ending	\$ 25,163

City of Sand Point, Alaska
Nonmajor Enterprise Fund - Rock Crusher
Statement of Cash Flows

<i>Year Ended June 30,</i>	<i>2017</i>
Cash Flows From (For) Operating Activities	
Receipts from customers	\$ 32,948
Payments for goods and services	(6,990)
Net cash flows from (for) operating activities	25,958
Net increase (decrease) in cash and investments	25,958
Cash and Investments, beginning	-
Cash and Investments, ending	\$ 25,958
Reconciliation of Operating Loss to Net Cash Flows From (For) Operating Activities	
Operating income	\$ 25,163
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:	
Increase (decrease) in liabilities:	
Accounts payable	795
Net Cash Flows From (For) Operating Activities	\$ 25,958

City of Sand Point, Alaska

Bingo Enterprise Fund
Statements of Net Position

<i>June 30,</i>	2017	2016
Assets		
Current Assets - cash and investments	\$ 308,882	\$ 238,453
Noncurrent Assets		
Equipment and vehicles	14,541	14,541
Less accumulated depreciation	(14,541)	(14,541)
Total Assets	\$ 308,882	\$ 238,453
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 312	\$ -
Accrued payroll	1,531	1,685
Noncurrent Liabilities		
Advance from other funds	176,561	176,561
Total Liabilities	178,404	178,246
Net Position		
Unrestricted (deficit)	130,478	60,207
Total Net Position (Deficit)	130,478	60,207
Total Liabilities and Net Position	\$ 308,882	\$ 238,453

City of Sand Point, Alaska

Bingo Enterprise Fund

Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Pull tab revenue	\$ 587,848	\$ 696,227
Bingo revenue	38,819	50,613
Other operating revenues	6,014	3,814
Total Operating Revenues	632,681	750,654
Operating Expenses		
Salaries and benefits	34,620	36,909
Telephone	888	1,441
Supplies	553	285
Equipment and equipment maintenance	3,514	-
Dues and fees	1,104	5,135
Bank service charges	3,520	3,098
Freight/speed paks	370	81
Prizes and payouts	489,140	580,233
Pull tab tax	4,136	3,151
Donations	9,624	-
Utilities	166	-
Pull tab purchases	14,775	15,853
Total Operating Expenses	562,410	646,186
Change in net position	70,271	104,468
Net Position (Deficit), beginning	60,207	(44,261)
Net Position (Deficit), ending	\$ 130,478	\$ 60,207

City of Sand Point, Alaska

Bingo Enterprise Fund
Statements of Cash Flows

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities		
Receipts from customers	\$ 632,681	\$ 750,654
Payments for goods and services	(527,478)	(609,277)
Payments for salaries and benefits	(34,774)	(36,842)
Net cash flows from operating activities	70,429	104,535
Cash and Investments, beginning	238,453	133,918
Cash and Investments, ending	\$ 308,882	\$ 238,453
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Operating income	\$ 70,271	\$ 104,468
Adjustments to reconcile operating income to net cash flows from operating activities:		
Increase (decrease) in liabilities:		
Accrued payroll	(154)	67
Accounts payable	312	-
Net Cash Flows from Operating Activities	\$ 70,429	\$ 104,535

City of Sand Point, Alaska

Boat Harbor Enterprise Fund

Statements of Net Position

June 30,	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Accounts receivable, net of allowance of \$56,543 (\$105,055 in 2016)	\$ 51,156	\$ 95,045
Noncurrent Assets		
Building and floats	10,795,390	10,795,390
Equipment and vehicles	613,944	613,642
Construction in progress	51,226	51,226
Less accumulated depreciation	(1,804,216)	(1,346,135)
Total Noncurrent Assets	9,656,344	10,114,123
Total Assets	9,707,500	10,209,168
Deferred Outflows of Resources, related to pensions	96,135	105,848
Total Assets and Deferred Outflows of Resources	\$ 9,803,635	\$ 10,315,016
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 7,363	\$ 5,543
Accrued leave	24,105	25,958
Accrued interest payable	37,660	38,526
Current portion of bonds payable	70,000	65,000
Due to other funds	255,713	247,227
Total Current Liabilities	394,841	382,254
Noncurrent Liabilities		
Bonds payable, net of current portion	2,300,000	2,370,000
Bond premium, net of accumulated amortization	348,030	364,602
Net pension liability	537,490	508,372
Total Noncurrent Liabilities	3,185,520	3,242,974
Total Liabilities	3,580,361	3,625,228
Deferred Inflows of Resources, related to pensions	5,991	10,028
Net Position		
Net investment in capital assets	6,938,314	7,314,521
Unrestricted (deficit)	(721,031)	(634,761)
Total Net Position	6,217,283	6,679,760
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 9,803,635	\$ 10,315,016

City of Sand Point, Alaska

Boat Harbor Enterprise Fund

Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues		
Moorage	\$ 228,891	\$ 208,424
Travel lift	95,196	86,209
Wharfage	220,143	34,058
Van storage	16,150	18,544
Electricity	39,726	31,990
Penalties and interest	6,084	5,173
Rents	106,384	132,118
Harbor electric fee	8,904	9,015
Other operating revenues	20,481	28,021
Total Operating Revenues	741,959	553,552
Operating Expenses		
Salaries and benefits	406,005	543,386
Contractual	509	-
Travel and per diem	-	1,214
Telephone	4,635	4,781
Supplies	7,079	6,199
Depreciation	463,081	475,027
Equipment and equipment maintenance	44,647	22,158
Dues and fees	1,284	680
Utilities	92,798	70,166
Fuel	14,290	12,124
Repairs	4,128	12,650
Freight/speed paks	3,900	4,202
Bad debt expense	56,543	-
Other operating expenses	-	2,684
Total Operating Expenses	1,098,899	1,155,271
Operating loss	(356,940)	(601,719)
Nonoperating Revenues (Expenses)		
State PERS relief	9,176	23,311
Interest expense	(114,713)	(117,313)
Net Nonoperating Revenues (Expenses)	(105,537)	(94,002)
Change in net position	(462,477)	(695,721)
Net Position, beginning	6,679,760	7,375,481
Net Position, ending	\$ 6,217,283	\$ 6,679,760

City of Sand Point, Alaska

Boat Harbor Enterprise Fund

Statements of Cash Flows

<i>Years Ended June 30,</i>	2017	2016
Cash Flows for Operating Activities		
Receipts from customers	\$ 785,848	\$ 552,551
Payments for goods and services	(227,993)	(136,176)
Payments for salaries and benefits	(363,888)	(438,749)
Net cash flows for operating activities	193,967	(22,374)
Cash Flows from (for) Capital and Related Financing Activities		
Principal paid on long-term debt	(65,000)	(65,000)
Interest paid on long-term debt	(132,151)	(134,753)
Additions to capital assets	(5,302)	(7,146)
Proceeds from disposal of capital assets	-	-
Capital contributions received	-	-
Increase (decrease) in due to other funds	8,486	229,273
Net cash flows from (for) capital and related financing activities	(193,967)	22,374
Net increase in cash and investments	-	-
Cash and Investments, beginning	-	-
Cash and Investments, ending	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash Flows for Operating Activities		
Operating loss	\$ (356,940)	\$ (601,719)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	463,081	475,027
Noncash expense - PERS relief	9,176	23,311
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable (net)	43,889	(1,001)
Deferred outflows of resources related to pensions	9,713	(74,075)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	1,820	682
Accrued leave	(1,853)	(11,862)
Net pension liability	29,118	193,602
Deferred inflows of resources related to pensions	(4,037)	(26,339)
Net Cash Flows for Operating Activities	\$ 193,967	\$ (22,374)

City of Sand Point, Alaska
Refuse Collection Enterprise Fund
Statements of Net Position

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and investments	\$ 447,201	\$ 429,473
Accounts receivable, net of allowance of \$7,640 (\$20,074 in 2016)	26,380	69,311
Total Current Assets	473,581	498,784
Noncurrent Assets		
Buildings	19,400	19,400
Equipment and vehicles	498,629	498,629
Sanitary landfill	1,996,889	1,996,889
Less accumulated depreciation	(1,814,885)	(1,738,756)
Total Noncurrent Assets	700,033	776,162
Total Assets	1,173,614	1,274,946
Deferred Outflows of Resources, related to pensions	37,814	36,134
Total Assets and Deferred Outflows of Resources	\$ 1,211,428	\$ 1,311,080
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 252	\$ 610
Accrued leave	6,582	4,013
Total Current Liabilities	6,834	4,623
Noncurrent Liabilities		
Landfill closure costs payable	136,251	131,854
Net pension liability	211,419	168,415
Total Noncurrent Liabilities	347,670	300,269
Total Liabilities	354,504	304,892
Deferred Inflows of Resources, related to pensions	2,357	2,367
Net Position		
Investment in capital assets	700,033	776,162
Unrestricted	154,534	227,659
Total Net Position	854,567	1,003,821
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,211,428	\$ 1,311,080

City of Sand Point, Alaska
Refuse Collection Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues - user charges	\$ 125,697	\$ 178,226
Operating Expenses		
Salaries and benefits	169,339	161,453
Supplies	585	581
Equipment and equipment maintenance	10,103	11,562
Dues and fees	150	150
Utilities	860	1,539
Fuel	5,311	2,821
Repairs	2,269	-
Freight/speed paks	1,778	82
Landfill closure expense	4,397	19,377
Bad debt expense	7,640	-
Depreciation	76,128	94,718
Total Operating Expenses	278,560	292,283
Operating loss	(152,863)	(114,057)
Nonoperating Revenues - State PERS relief	3,609	8,179
Loss before transfers	(149,254)	(105,878)
Transfers in	-	14,894
Change in net position	(149,254)	(90,984)
Net Position, beginning	1,003,821	1,094,805
Net Position, ending	\$ 854,567	\$ 1,003,821

City of Sand Point, Alaska
Refuse Collection Enterprise Fund
Statements of Cash Flows

<i>Years Ended June 30,</i>	2017	2016
Cash Flows From (For) Operating Activities		
Receipts from customers	\$ 168,628	\$ 150,326
Payments for goods and services	(29,053)	(16,789)
Payments for salaries and benefits	(121,847)	(119,387)
Net cash flows from (for) operating activities	17,728	14,150
Cash Flows from Noncapital Financing Activities		
Transfers in	-	14,894
Net increase (decrease) in cash and investments	17,728	29,044
Cash and Investments, beginning	429,473	400,429
Cash and Investments, ending	\$ 447,201	\$ 429,473
Reconciliation of Operating Loss to Net Cash Flows From (For) Operating Activities		
Operating loss	\$ (152,863)	\$ (114,057)
Adjustments to reconcile operating loss to net cash flows from (for) operating activities:		
Depreciation	76,128	94,718
Noncash expense - PERS relief	3,609	8,179
(Increase) decrease in assets and deferred outflows of resources:		
Accounts receivable (net)	42,931	(27,900)
Deferred outflows of resources related to pensions	(1,680)	(25,991)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	(358)	(55)
Accrued leave	2,569	1,189
Landfill closure costs payable	4,398	19,378
Net pension liability	43,004	67,931
Deferred inflows of resources related to pensions	(10)	(9,242)
Net Cash Flows From (For) Operating Activities	\$ 17,728	\$ 14,150

City of Sand Point, Alaska
Water and Sewer Enterprise Fund
Statements of Net Position

<i>June 30,</i>	2017	2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Investments	\$ 71,906	\$ 46,821
Accounts receivable, net of allowance of \$18,316 (\$23,324 in 2016)	51,108	58,869
Total Current Assets	123,014	105,690
Noncurrent Assets		
Buildings and improvements	4,572,242	4,572,242
Equipment and vehicles	177,509	177,509
Less accumulated depreciation	(2,671,568)	(2,544,759)
Total Noncurrent Assets	2,078,183	2,204,992
Total Assets	2,201,197	2,310,682
Deferred Outflows of Resources related to pensions	16,693	14,989
Total Assets and Deferred Outflows of Resources	\$ 2,217,890	\$ 2,325,671
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable	\$ 17,011	\$ 10,108
Accrued leave	1,320	1,495
Total Current Liabilities	18,331	11,603
Noncurrent Liabilities		
Advance from other funds	763,266	763,266
Net pension liability	93,332	75,260
Total Noncurrent Liabilities	856,598	838,526
Total Liabilities	874,929	850,129
Deferred Inflows of Resources , related to pensions	1,040	2,091
Net Position		
Investment in capital assets	2,078,183	2,204,992
Unrestricted (deficit)	(736,262)	(731,541)
Total Net Position	1,341,921	1,473,451
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 2,217,890	\$ 2,325,671

City of Sand Point, Alaska
Water and Sewer Enterprise Fund
Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended June 30,</i>	2017	2016
Operating Revenues - User charges	\$ 222,538	\$ 204,977
Operating Expenses		
Salaries and benefits	142,873	122,980
Travel and per diem	11,029	8,939
Telephone	5,500	3,837
Supplies	19,505	33,472
Contractual	31,523	31,477
Equipment and equipment maintenance	22,073	28,582
Dues and fees	6,508	6,345
Utilities	10,676	15,397
Fuel	14,759	20,950
Repairs	13,058	10,725
Freight/speed paks	9,048	10,361
Bad debt expense	18,316	-
Depreciation	126,809	134,598
Total Operating Expenses	431,677	427,663
Operating loss	(209,139)	(222,686)
Nonoperating Revenues - State PERS relief	1,593	3,161
Loss before capital contributions and transfers	(207,546)	(219,525)
Capital contributions	23,516	23,734
Transfers in	52,500	117,600
Change in net position	(131,530)	(78,191)
Net Position, beginning	1,473,451	1,551,642
Net Position, ending	\$ 1,341,921	\$ 1,473,451

City of Sand Point, Alaska
Water and Sewer Enterprise Fund
Statements of Cash Flows

<i>Years Ended June 30,</i>	2017	2016
Cash Flows for Operating Activities		
Receipts from customers	\$ 230,299	\$ 176,915
Payments for goods and services	(155,092)	(164,971)
Payments for salaries and benefits	(126,138)	(108,580)
Net cash flows for operating activities	(50,931)	(96,636)
Cash Flows from Capital and Related Financing Activities		
Capital contributions received	23,516	23,734
Transfers in	52,500	117,600
Net cash flows from noncapital financing activities	76,016	141,334
Net increase in cash and investments	25,085	44,698
Cash and Investments, beginning	46,821	2,123
Cash and Investments, ending	\$ 71,906	\$ 46,821
Reconciliation of Operating Loss to Net Cash Flows for Operating Activities		
Operating loss	\$ (209,139)	\$ (222,686)
Adjustments to reconcile operating loss to net cash flows for operating activities:		
Depreciation	126,809	134,598
Noncash expense - PERS relief	1,593	3,161
(Increase) decrease in assets and deferred outflows of resources :		
Accounts receivable (net)	7,761	(28,062)
Deferred outflows of resources related to pensions	(1,704)	(10,042)
Increase (decrease) in liabilities and deferred inflows of resources :		
Accounts payable	6,903	5,114
Accrued leave	(175)	(1,395)
Net pension liability	18,072	26,248
Deferred inflows of resources related to pensions	(1,051)	(3,572)
Net Cash Flows for Operating Activities	\$ (50,931)	\$ (96,636)



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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and City Council
City of Sand Point, Alaska

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sand Point, Alaska (City of Sand Point) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Sand Point's basic financial statements, and have issued our report thereon dated January 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sand Point's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Sand Point's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sand Point's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sand Point's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
January 9, 2018

The City of Sand Point

Schedule of Findings and Responses Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes

X no

Significant deficiency(ies) identified?

___ yes

X (none reported)

Noncompliance material to financial statements noted?

___ yes

X no

Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.